

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

U.S. SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

VUUZLE MEDIA CORP.,
RONALD SHANE FLYNN, and
RICHARD MARCHITTO,

Defendants.

Civil Action No. _____

**JURY TRIAL
DEMANDED**

COMPLAINT

Plaintiff United States Securities and Exchange Commission (“SEC” or the “Commission”) alleges as follows against the following Defendants, whose names and last known addresses are set forth below:

- a. Vuuzle Media Corp. – 42 Broadway, Suite 12-117, New York NY, 10004;
- b. Ronald Shane Flynn – Angeles City, Philippines and/or Dubai, United Arab Emirates;
- c. Richard Marchitto – Rockaway, New Jersey.

SUMMARY

1. This action concerns an offering fraud perpetrated by Vuuzle Media Corp. (together with its predecessor entities, hereinafter referred to as “Vuuzle”) and its founder, Ronald Shane Flynn (“Flynn”), and aided and abetted by Richard Marchitto (“Marchitto”).

2. From approximately September 2016 through at least May 2020, Vuuzle and Flynn offered and sold more than \$14 million of Vuuzle common stock and warrants to investors throughout the United States. In violation of the securities laws, Flynn secretly diverted

approximately \$5 million to support his aggressive fund-raising operations and pay commissions to stock promoters. Flynn misappropriated another nearly \$5 million in direct transfers to his personal bank accounts overseas and by using corporate credit and debit cards for personal items, such as dating and gambling applications, gold bars, and luxury travel. An additional approximately \$2 million appears to have been used for other expenses in furtherance of the fraud, including, but not limited to, Ponzi-like payments to a limited number of investors, Fed Ex charges, rent for a New York office, and attorney fees.

3. To raise funds, Vuuzle and Flynn falsely represented to investors that Vuuzle was a legitimate, successful, and growing company in the business of providing online live streaming and entertainment services. In fact, Vuuzle was little more than a front for a boiler room Flynn controlled.

4. Operating primarily out of the Philippines under a series of different corporate entities, Flynn, directly and through marketing teams acting at his direction, engaged in aggressive and high-pressure sales campaigns. Among other tactics, Flynn and his boiler room employees cold-called potential investors and, through relentless and deceptive phone and email communication, convinced them to buy Vuuzle securities. In return for bringing investor funds to Vuuzle, Flynn paid substantial commissions to himself and others.

5. The securities offered were common stock. The price per share ranged from \$1 to \$5, with most investors paying \$5 per share. Many investors were also granted warrants that provided the investor the purported right to purchase additional shares for a limited time at a discounted price. None of these securities were registered with the Commission.

6. Vuuzle and Flynn made numerous materially false and misleading statements in their communications with investors, filings with the Commission, and in offering documents,

including Vuuzle's Private Placement Memoranda ("PPMs"). For instance, Vuuzle and Flynn told investors that their funds would be used to operate and build Vuuzle's online streaming business, which would earn millions of dollars in revenue from service fees and advertising. In fact, of the \$14 million raised in investor funds, Vuuzle and Flynn used only approximately \$2 million to build the streaming applications, which served as props to raise more investor funds.

7. Vuuzle and Flynn also falsely represented Vuuzle as a "pre-IPO" investment opportunity that would provide returns to investors in the form of dividends and skyrocketing post-IPO stock values. Yet, Vuuzle has never made a profit, never paid dividends to any investor, and never made a public offering on any stock exchange. From its inception in October 2016 through May 2020, Vuuzle's U.S. bank account reflects total business revenue of less than \$1,670.

8. Vuuzle's public filings and offering documents falsely suggest Flynn had only a peripheral relationship with the company, if any. For example, in the PPMs, Vuuzle described Flynn as merely a "non-voting beneficial owner" of a Vuuzle corporate shareholder. And Vuuzle's Forms D, filed with the Commission in 2017 and 2019, do not name Flynn as a related party at all. In fact, however, Flynn exercised ultimate control over every part of Vuuzle's business for the primary purpose of enriching himself.

9. Vuuzle and Flynn concealed Flynn's control over Vuuzle by falsely representing to investors and the public that Vuuzle was operated by a legitimate team of independent executive officers. In early 2018, Flynn hired two former executives of a publicly-traded company to ostensibly serve as Vuuzle's Chief Executive Officer ("CEO") and Chief Operating Officer ("COO"). Their hiring was all for show. During their time at Vuuzle, both individuals

raised serious questions about Flynn's operation of Vuuzle, and both were gone by November of that year.

10. Vuuzle and Flynn were aided and abetted in their fraud by Marchitto, a former dentist who had lost money investing in one of Flynn's previous business ventures. He provided substantial assistance to Vuuzle and Flynn by acting as their U.S. corporate and financial presence, thereby enhancing Vuuzle's aura of legitimacy as a U.S.-based company. Because Flynn avoided U.S. jurisdiction, Marchitto was instrumental to the fraud.

11. Specifically, Marchitto (a) organized Vuuzle's predecessor legal entity and served as its initial member; (b) opened and maintained a U.S. bank account for Vuuzle, which was used to receive and disburse the overwhelming majority of investor funds; (c) maintained a New York office space, which was represented to investors as Vuuzle's primary place of business; and (d) facilitated Flynn's misappropriation of investor funds by transferring funds to Flynn's accounts overseas and opening and maintaining corporate credit cards, which Flynn used for personal expenses.

12. Marchitto was the sole signatory to Vuuzle's U.S. bank account and had direct access to that account. Marchitto also collected mail from the New York office space and deposited investor checks to Vuuzle's U.S. bank account. Because he had all the account information, Marchitto knew or was reckless in not knowing that investor funds were deposited to that U.S. bank account, and that his actions directly aided Flynn in misappropriating these funds. By his conduct, he substantially assisted Flynn's and Vuuzle's violations of the securities laws.

13. By perpetrating this offering fraud, Vuuzle and Flynn have violated Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)] and Section 10(b) of the

Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder, and Marchitto aided and abetted those violations. By failing to register the offering of Vuuzle securities, Vuuzle and Flynn also have violated Section 5 of the Securities Act [15 U.S.C. § 77e]. And, by acting as a broker in selling Vuuzle securities without being registered as, or associated with, a registered broker-dealer, Flynn has violated Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

14. Because of the Defendants’ unlawful conduct, the Commission respectfully requests that the Court: (i) permanently enjoin each Defendant from further violations of the foregoing securities laws, (ii) order each Defendant to disgorge the unlawful profits from their violations with prejudgment interest, (iii) impose civil money penalties on each Defendant, and (iv) impose such other and further relief as the Court may deem just and appropriate.

JURISDICTION AND VENUE

15. The Court has jurisdiction over this action pursuant to Section 20 of the Securities Act [15 U.S.C. §§ 77t(b)] and Sections 21A and 27 of the Exchange Act [15 U.S.C. §§ 78u-1, 78aa]. Defendants, directly or indirectly, singly or in concert with others, made use of the means or instruments of transportation and communication in interstate commerce, or of the mails, in connection with the acts, transactions, and practices alleged in this Complaint.

16. Venue is proper in this district under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27(a) of the Exchange Act [15 U.S.C. § 78aa] because, among other things, Defendant Marchitto resides in this district, and Defendants Vuuzle and Flynn have targeted, communicated with, and raised money from investors that reside in this district.

DEFENDANTS

17. **Vuuzle Media Corp.** is a Delaware corporation formed on August 22, 2017 as a successor entity to Boink Live Streaming LLC, which was incorporated in Delaware on

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